



Sean Rogan  
Executive Director

**COMMUNITY DEVELOPMENT COMMISSION**  
**of the County of Los Angeles**

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Gloria Molina  
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# ADOPTED

Community Development Commission

March 09, 2010

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

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MARCH 23, 2010

SACHI A. HAMAI  
EXECUTIVE OFFICER

Dear Supervisors:

**AMENDMENT TO THE LEASE BETWEEN THE COMMUNITY DEVELOPMENT COMMISSION  
AND MILLER BROTHERS CORAL CIRCLE, LLC, FOR 2 CORAL CIRCLE, MONTEREY PARK  
TO EXTEND THE TERM FOR 26 MONTHS  
(ALL DISTRICTS) (3 VOTES)**

**SUBJECT**

This letter recommends approval of an amendment to the Commission's current lease with Miller Brothers Coral Circle LLC for 85,300 square feet of administrative office space at 2 Coral Circle, Monterey Park. The current lease expires on March 26, 2010. The amendment will extend the term for 26 months through May 31, 2012, and reflect renegotiated financial terms, including a base rent of \$98,095 per month.

**IT IS RECOMMENDED THAT YOUR BOARD ACTING AS THE GOVERNING BODY OF THE  
COMMUNITY DEVELOPMENT COMMISSION**

1. Authorize the Executive Director to negotiate and execute a 26-month lease amendment with Miller Brothers Coral Circle LLC (Landlord), in the total amount of \$2,550,470, for the occupancy of 85,300 rentable square feet of office space by the Commission at 2 Coral Circle in Monterey Park, using \$1,866,944 in Commission administrative funds and \$683,526 in Housing Authority administrative funds.
2. Find that the proposed leasing of property is exempt from the provisions of the California Environmental Quality Act (CEQA) because the proposed project will not have the potential for causing a significant effect on the environment.

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The 26-month lease extension will provide the Commission with continued use of office space for the administration of Commission and Housing Authority programs, and make it coterminous with the Housing Authority's lease at 12131 Telegraph Road in Santa Fe Springs.

## **FISCAL IMPACT/FINANCING**

There is no impact on the County General Fund. Under the proposed modified gross lease amendment for 2 Coral Circle (Coral Building), the base rent will be \$1.15 per square foot per month, or \$98,095 per month. Rental costs through June 30, 2010 are included in the Commission's and Housing Authority's approved Fiscal Year 2009-10 budgets. Rental costs are divided between the Commission and Housing Authority based on space usage, with the Commission paying 73.20% and the Housing Authority paying 26.80%. Future rental costs will be paid using funds requested through the Commission's and Housing Authority's annual budget processes.

Under the existing lease, the Commission has been responsible for all common area maintenance (CAM) charges, which include insurance, property taxes, and maintenance (plumbing, landscaping, parking, roofing, heating and air conditioning). The existing lease is considered "triple net" because the Commission is responsible for all three of these expenses. Under the amended terms, the Commission will no longer be responsible for these charges. The monthly rent will change from \$97,143 plus approximately \$21,500 in CAM charges based on a triple net lease to \$98,095 with no CAM charges based on the modified gross lease. The proposed terms are in line with the current market rents for similar buildings. The renegotiated lease for the Coral Building will provide a total estimated savings of approximately \$500,000 over the 26-month term compared to the current triple net lease.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

In 1994, the Commission moved into its current location at 2 Coral Circle in Monterey Park under a ten-year triple net lease with two five-year renewal options. In 2005, your Board approved a five-year extension and the annual rent was increased from \$49,474 to \$97,143 for 85,300 square feet office space (from \$0.58 to \$1.14 per square foot). Under the triple net lease, the Commission has been responsible for janitorial, utilities, and CAM charges, resulting in a total cost approximately \$2.00 per square foot.

The current five-year term expires on March 26, 2010, leaving the Commission with one additional five-year renewal option, which would allow the Landlord to adjust the rent to market rent. On May 28, 2009, Commission staff began discussions with the Landlord to extend the lease through May 31, 2012 and adjust the rent given market conditions. Staff also conducted a rent survey and hired a tenant broker to conduct a search of available buildings similar to the Coral building, based on requirements of size, location, price, date of availability, parking and access by freeway or public transportation.

Commission staff reviewed six potential buildings based on these requirements, and received formal proposals for four of the buildings, including the Coral Building. Commission staff negotiated with the Landlord for a modified gross lease at the base rent of \$1.15 per square foot for 26 months, for a total cost of \$1.78 per square foot, with two five-year renewal options. The negotiated lease amendment with Miller Brothers Coral Circle LLC is the most cost-effective option for the

Commission, taking into account the relocation costs that would be involved in moving to another building.

The proposed lease extension will provide for the uninterrupted use of 85,300 square feet of administrative office space and 323 parking spaces. The renewal term will commence upon execution by all parties and terminate on May 31, 2012, making it coterminous with the Housing Authority's lease at 12131 Telegraph Road in Santa Fe Springs. Commission staff will continue to search for office space that would allow the long term consolidation of all Commission and Housing Authority operations under one roof.

#### **ENVIRONMENTAL DOCUMENTATION**

This project is exempt from the National Environmental Policy Act pursuant to Title 24, Code of Federal Regulations, Part 58, Section 34 (a)(3) because it involves leasing activities that will not alter existing environmental conditions. The project is exempt from the provisions of CEQA, pursuant to State CEQA Guidelines 15301, because it involves negligible or no expansion of use beyond what currently exists and does not have the potential for causing any effect on the environment.

#### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The lease amendment will provide continued use of office space for the administration of the Commission and the Housing Authority programs and activities. The renegotiated lease for the Coral building will provide a total estimated savings of approximately \$500,000 over the 26-month term compared to the current triple net lease.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN  
Executive Director

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